



November 27, 2000

Mark Johnson, PNG-1  
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**SUBJECT:** [Conservation and Renewables Discount Program](#)

Dear Mark:

Thank you for providing the opportunity for stakeholders to offer comments on Bonneville's proposed Conservation and Renewables Discount Program (C&RD). Representatives from the Washington Office of Trade and Economic Development (OTED) have participated in the development of this program since the conception of the original idea over a year ago. Given that many stakeholders and Bonneville representatives have heard our perspectives and suggestions during C&RD meetings, we will focus on a few broad issues here, and a few technical issues that have arisen from the Regional Technical Forum's work.

#### Energy Efficiency

The most critical issue is the absence of how the C&RD fits into a clear plan outlining Bonneville's commitment to achieve all cost-effective electricity savings. This, of course, is now an issue that goes beyond the scope of the C&RD, whose budget has been established by the rate case and the magnitude of customer loads that Bonneville has contracted to serve. Bonneville needs to acquire significant amounts of resources to meet its commitments to supply power to Northwest customers. It would clearly be imprudent to invest only in short-term power purchases given the volume of Bonneville ten-year contracts, the likelihood of five-year utility contract holders remaining with the federal system after 2006, and the increase in avoided costs.

Federal law directs Bonneville to capture all cost-effective electricity savings prior to purchasing power on the market or building new generation. Neither the C&RD program, nor the supplementary Conservation Augmentation program provides the assurance that this law will be met. We appreciate that Bonneville has access to a number of mechanisms to ensure that this vast efficiency resource is captured including: leveraging savings or renewable resources through a rate discount, paying wholesale customers to capture the savings, or directly funding the savings. Bonneville needs to develop a complete plan for achieving these regional savings to which the agency is accountable. Investments by the electricity system, including Bonneville, in Washington have dropped by 70 percent since 1993, and have remained low for the past three years. Meanwhile, avoided costs have increased, as has the conservation resource potential.

The C&RD is a useful tool for leveraging utility investments in energy efficiency programs or renewable resources. Given the relatively high avoided costs, the decision by Bonneville to credit utilities for 80 percent of the value of the savings, or up to two times the capital cost of the measure, is generous. OTED staff preferred the option that originally provided an incentive to utilities that achieved savings for less than avoided cost. This served to leverage additional achievement and recognize those utilities that performed the job well. That incentive is now lost. We understand that it increased the complexity of the C&RD mechanism. However, the current model leverages, at best, a very small amount of savings, perhaps 15 aMW region wide. The dollar for dollar reimbursement option is likely to result in marketing programs, and residential savings, missing the very cost-effective opportunities available in the commercial and industrial sectors.

Secondarily, we are concerned that Bonneville has set no minimum target for electricity savings leveraged through the C&RD. Currently, there is a minimum investment target of 20 percent for renewable resource investments. Bonneville needs an effective comprehensive strategy for achieving cost-effective savings prior to purchasing market power. In the absence of such a strategy, we would like to see a C&RD program that creates an achievement or investment target for energy efficiency that maintains a minimal infrastructure of talented professionals for delivering efficiency programs. Additionally, we would like the C&RD to prioritize investments that capture energy efficiency lost opportunities. The C&RD has no added incentive or required target for energy efficiency measures that are best captured, for example, at the time of construction – whether they be building shell measures, or lighting fixture measures or HVAC design measures. The C&RD's emphasis is on flexibility. We believe that given the limited size of the C&RD that the emphasis should be on priority investments. We consider energy efficiency lost opportunities as key priority investments.

#### Low-income Weatherization

We are very pleased with Bonneville's decision to separately invest \$3 million in low-income weatherization throughout the region each year during the rate period. This provides a great deal of stability to the infrastructure delivering low-income weatherization services, and still allows for additional investment by local utilities. Delivering low-income weatherization is not always the most exciting service, but the need for these services still exists in Washington. Bonneville's commitment helps ensure that this need is met.

#### Regional Technical Forum Recommendations

We want to offer two comments on work accomplished by the Regional Technical Forum (RTF). First, the installation of an efficient residential air conditioner in western Washington, where a majority of the region's residential growth is taking place, is not an electricity saving measure. This is predominantly a load building measure. Worse, air conditioners in western Washington add load when west coast demand for power resources is high and wholesale electricity prices are high. Recent studies indicate that less than 10 percent of new construction in western Washington is designed for central air conditioning. This is notably different from other parts of the region. We request that Bonneville distinguish some measures, such as efficient residential air conditioning, and identify major parts of the region in which they are acceptable measures, and which major parts of the region are they unacceptable measures.

The second technical comment on the RTF's recommendations addresses credit for investments in conservation research. We have observed a huge decline in the level of funds invested both regionally and nationally in conservation related research projects. We do not want Bonneville or the RTF to disapprove research activities simply because the proposed projects do not receive co-funding from either the federal government or the Northwest Energy Efficiency Alliance. Indeed, the federal government has very limited funds available and the Alliance focuses strictly on market transformation programs.

In closing, we appreciate the opportunity to participate in the development of the C&RD program. We appreciate the time, constructive attitudes, and hard work that Bonneville's employees and management expended in the development of the C&RD program. We look forward to contributing to future efforts that ensure that businesses and households in the Northwest continue to benefit from the Northwest's clean and affordable and efficient electricity system.

Sincerely,

Elizabeth C. Klumpp  
Senior Energy Policy Specialist